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Gale A. Norton
Attorney General

Ronald Binz
Director

April 12, 1993

Secretary
Federal Communications Commission
1919 M Street N.W.
Washington D C 20554

RE: CC Docket No. 92-296 Reply Comments

Dear Secretary:

Enclosed please find the original and six copies of the Colorado Office of Consumer Counsel's Reply Comments in CC Docket No. 92-296. Please date stamp the extra copy and return it to us in the enclosed self-addressed envelope.

Thank you.

Sincerely,

Deborah S. Waldbaum

Deborah S. Waldbaum
First Assistant Attorney General

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)
)
Simplification of the) CC Docket No. 92-296
Depreciation Prescription Process)

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

REPLY COMMENTS

OF THE

COLORADO OFFICE OF CONSUMER COUNSEL

April 13, 1993

I. INTRODUCTION

The Colorado Office of Consumer Counsel ("Colorado OCC" or "Office") submits the following reply comments to certain comments filed with the Federal Communications Commission ("FCC" or "Commission") on March 10, 1993, pursuant to the FCC's Notice of Proposed Rulemaking on the simplification of the depreciation prescription process and other matters, released on December 29, 1992 ("Notice"). At that time the Commission requested parties to "comment on proposals that would simplify procedures and reduce associated costs in our depreciation prescription process." (Notice at ¶1.)

II. SUMMARY

The Colorado OCC supports the recommendations of the Colorado Public Utilities Commission ("CPUC") and the District of Columbia Office of People's Counsel, the Florida Office of the Public Counsel, the Indiana Office of Utility Consumer Counselor and the Pennsylvania Office of Consumer Advocate (hereinafter referred to as State Consumer Advocates or "SCA") that this Commission retain its presently establish depreciation prescription process. In particular, the Office backs the maintenance of the "Three-Way Meeting" mechanism, which has proven effective in equitably and efficiently establishing depreciation rates for regulated telecommunications carriers.

Further, the Colorado OCC endorses those parties' recommendation that, if this Commission deems it appropriate to adopt changes to the present depreciation prescription process,

that those changes be limited to the institution of Option One-Basic Rate Factor and the application of that option to certain accounts.

III. INTEREST OF Colorado OCC IN THE PROPOSED REGULATIONS.

The Colorado Office of Consumer Counsel is statutorily created to represent the interests of residential, small business and agriculture consumers in matters related to telecommunications' and energy services. Colorado Revised Statutes § 40-6.5-101 et. seq. The Colorado OCC has a significant interest in the regulations proposed by the Commission in this docket as such regulations could have a direct and substantial effect on the rates of telecommunications carriers.

IV. PRESENTATION OF COMMENTS.

The Predicted Benefits Of The Simplification Of The Depreciation Prescription Process Will Be Overshadowed By The Negative Impact Of Any Of The Proposed Options.

The Colorado OCC joins both the CPUC and the SCA in supporting this Commission's efforts to streamline regulation and lower the administrative costs both to the Commission itself and the carriers it regulates. Such changes would benefit all parties to the regulatory process, including consumers. However, the Colorado OCC concurs with these parties' conclusions that administrative savings resulting from the recommendations set forth in the Commission's NPRM are limited and are far outweighed by the potential for inaccuracy and "gaming" in the prescription process.

The Commission's notice in this docket makes clear the important role the prescription of depreciation rates plays in the regulation of telecommunication providers. The Notice clearly states that the primary objective of determining depreciation for regulated carriers has been to "accurately allocate plant costs to expense at a rate representative of the actual consumption of the plant." (Notice at ¶5.) However, each of the four proposed options dilutes the Commission's ability to accurately match cost to consumption. In fact, the four options proposed all call for the application of generic or average depreciation rates which are unlikely to match the actual circumstances of a particular carrier.

Of similar concern is the fact that each of the proposed options opens opportunities for carriers to manipulate reported earnings in a manner likely to favor shareholders and disadvantage ratepayers.

The Colorado OCC is also persuaded by the conclusions of the CPUC, the SCA and the National Association of Regulatory Utility Commissioners ("NARUC") that the existing "Three-Way Meeting" process effectively meets the goals articulated by this Commission to enhance efficiency in the depreciation prescription process, while maintaining appropriately detailed review of carriers investment costs and consumption rates. This process, which requires cooperation and consensus building among federal and state regulators and the carriers subject to their regulation, advances the goals of both administrative economy and proper oversight while still providing carriers the appropriate flexibility to accommodate

their own operating circumstances. Any plan which jeopardizes such a collaborative effort is likely to detract from, rather than enhance the goal of establishing a regulatory scheme that properly protects consumers without imposing undue burden on the carriers.

DATED this 12th day of April, 1993.

Respectfully Submitted,

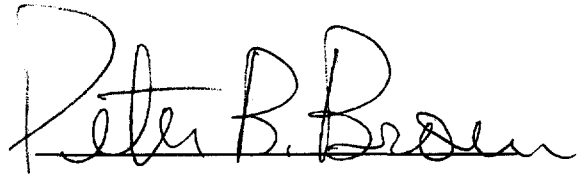
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CERTIFICATE OF MAILING

I HEREBY CERTIFY THAT ON THIS 12TH DAY OF APRIL, 1993 THE
ORIGINAL AND FIVE COPIES WERE FEDERAL-EXPRESSED TO:

SECRETARY
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N W
WASHINGTON D C 20554.

A handwritten signature in cursive script, reading "Peter B. Brown". The signature is written in dark ink and is positioned on the right side of the page.